



Aberdeen *Group*

Best Practices in Category Spend Management: Travel

Success Strategies for Policy, Supply, and Regulatory Compliance

August 2005

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Executive Summary

Issue at Hand

Business travel can be an informal barometer of economic activity – when business travel is up, growth is on the horizon. Increased booking of airplane seats, rental cars, and hotel beds mean that companies are out getting – and serving – more customers.

At the same time, though, travel has long been subject to formal management programs, and recently has come under stricter scrutiny. Travel expenses are high-profile targets for control and compliance following recent corporate abuse scandals and the specter of Sarbanes-Oxley regulation. Furthermore, business travel costs are on the upswing and all signs point to persistent service price escalation as travel industry economics continue to be in flux.

However, companies Aberdeen has surveyed report continued pressure to cut costs and improve operational performance. Information collection and visibility are the biggest hurdles to improvement, followed by rising process costs, sustaining employee service levels, and selecting the right travel partners.

Key Business Value Findings

Improved travel cost visibility and control demand a number of online information collection and automation mechanisms. At the same time, enterprises need to think of travel management as a lifecycle process, and they should align or ally business operations accordingly.

Aberdeen has mapped out a total cost management lifecycle as it applies to travel. Key functionality points include program policy and design, contract terms and pricing development, online trip booking, and travel and expense reimbursement.

Aberdeen research with enterprises has shown that companies employing automation at key points of this lifecycle have gained significant benefits in overall travel programs and business effectiveness. Specific results are detailed in this report.

Recommendations for Action

Best-in-class travel cost management performers have centralized programs for establishing policies, procedures, and preferred suppliers; a clear governance program to ensure compliance; and a heavy reliance on automation to manage both.

This report identifies 10 key tactics used by enterprises with the most improved travel cost management programs:

1. Understand current travel expenditure commitments at a granular level through online information collection and analysis. (You can't improve what you don't understand.)
2. Centralize travel management and supplier negotiations. (It is the only way to gain significant volume discounts and compliance management.)



3. Establish a single travel policy, including booking and reconciliation procedures. (Your company is not alone if you have more than one policy today, maybe even a dozen!)
4. Communicate the policy clearly, consistently, and ubiquitously to employees. (You can use existing resources such as an intranet.)
5. Facilitate employee adherence to policies and procedures by using tools that are easy to access and use. (Employees take the path of least resistance.)
6. Do not be afraid to enforce your policies. (Policies are worthless if not enforced.)
7. Give your suppliers the business you promised them. (They are watching market share.)
8. Use your own data as the de facto standard. (Vendor, card data, and industry benchmarks are good but secondary sources.)
9. Act on the data you collect. (Information insight is just the beginning.)
10. Be open to changing policy and supplier mix based on performance, business needs, and employee feedback. (Category spend management is an ongoing discipline.)

Best Practice Companies

Table 1 lists in alphabetical order the enterprises we recognized as demonstrating Best Practices in travel cost management and the supporting solutions they used to achieve results. Case studies of each enterprise's experience, including business challenges, strategies, results, lessons learned, and future outlooks are provided in detail in Chapter Four of this report.

Table 1: Best Practices Winners and Their Solution Providers

Enterprise Winners	Solution Providers Used
Acuity Brands Inc.	Concur Technologies Inc.; American Express Company
American Electric Power Company Inc.	Necho Systems Corp.; JP Morgan Chase Mastercard; Universal VAT Services
American Standard Companies Inc.	Gelco Expense Management
Applera Corporation	Concur Technologies Inc.; American Express Company; Visa
The Chubb Corporation	Outtask Inc.; American Express Company; StarCite Inc.
Enbridge Inc.	Necho Systems Corp.; American Express Co.; Bank of Montreal MasterCard
Hormel Foods Corp.	Gelco Expense Management; U.S. Bank Visa
HNTB Companies	American Express Company
Starbucks Coffee Company	Expedia Corporate Travel
Top Entertainment Company	SAP AG; JP Morgan Chase Visa; American Express Company

Source: AberdeenGroup, August 2005



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Chapter One: Issues at Hand

Key Takeaways

- Travel expenses are high-profile targets for control and compliance following recent corporate abuse scandals.
- Business travel costs are on the upswing and all signs point to persistent service price escalation as travel industry economics continue to be in flux
- Information collection and visibility are the biggest hurdles to improvement, followed by rising process costs, sustaining employee service levels, and selecting the right travel partners

Business travel can be an informal barometer of economic activity – when business travel is up, growth is on the horizon. Increased bookings of airplane seats, rental cars, and hotel beds mean that companies are out getting – and serving – more customers.

Renewed Emphasis on Travel Management

Travel has long been subject to formal management programs, but recently it has come under even stricter scrutiny. Why the renewed emphasis?

- **Increased concern about travel and entertainment purchases.** As recently as June, a chief executive of a Fortune 500 firm was convicted of fraud for a travel and expense (T&E) related scandal, among other fiscal mismanagement. These excesses led to the filing of specific legislation – including The American Competitiveness and Corporate Accountability Act signed into law in July of 2002 – commonly known as the Sarbanes-Oxley Act (SOX).

Among many fiscal checks and balances designed to help companies regain the trust of the American public, SOX requires a number of disclosures, including information on internal control mechanisms. These include controls on indirect expenses, already under heightened scrutiny in recent years to preserve profitability.

Another aspect at play is the fear of regulation. For example, the pharmaceutical industry has been under fire for the entertainment excesses of its sales and marketing forces, which some observers perceive as driving up the cost of prescription medicines to those who can ill-afford them. Topping out as the highest spenders on travel and entertainment — above 1% of revenues — these healthcare firms are putting focus on controls themselves before they are legislated into doing so.

- **The shifting sands of the travel industry.** Earlier this year, the U.S. carrier Delta Air Lines tried to simplify the complex pricing schemes that have been in place among airlines for decades, in the wake of upstarts like Southwest Airlines' more streamlined approaches. While prices seemed to dip at first, all signs point to a prevailing uptick in fares in 2005.

More disturbingly, it is still difficult for even the most seasoned travel managers to tell the impact of price fluctuation on their businesses' preferred agreements and discount struc-



tures when compared to the market at large. Factor in consumer sites that employees think are offering greater discounts and flexibility, and managing travel today seems an almost Sisyphean task.

- **Continued pressure to cut costs and improve operational performance.** As Table 2 shows, travel expenditures are a significant cost for companies today. With the average profit as a percentage of revenue of Fortune 500 companies at 5.6% in 2004, reducing travel expenses can have a material impact.

And we are not just talking about the vacillating and escalating prices of travel services. Table 2 also shows an average number of trip reports that employees are creating to request reimbursement. Past Aberdeen benchmark research has calculated the average cost to manually process an expense report is \$48 – multiply that by the average number of reports and you'll see more than \$4 million dedicated to pushing paper in the Fortune 500 each year. Also, at \$50 per agency booking for these trips, tack on nearly another \$5 million for phone travel agent access.

Table 2: Travel Spending and Processing Volume Guidelines based on Best Practice Pool

	\$1B+ Service Firms	\$1B+ Manufacturing Firms	Average \$1B+ Firms
Travel as Percentage of Revenue	0.54%	0.42%	0.50%
Range of Annual Travel Spend as % of Revenue	0.21% to 1.17%	0.29% to 0.53%	Not applicable
Trips/reports per year	132,000	47,000	96,000

Source: [AberdeenGroup](#), August 2005

Challenges to Effective Travel Cost Management

To understand what companies were doing in the face of these issues, last year Aberdeen conducted survey research with 147 enterprises to distinguish the priorities and prospective strategies for managing corporate travel costs. We found that greater than two-thirds of the companies reported that their travel programs have seen an increase in cost management emphasis over the past two years, but they felt hampered in a number of areas.

Although convenience and safety had driven travel programs in the past, these factors are no longer the main impetus of improvement. The key challenge: travel expenditure visibility. Gaining access to sufficient and timely data on travel expenditures remains the primary hurdle to the success of travel cost management.

We recently confirmed this lack of insight into spend as the key challenge to travel cost management with companies that have instituted best practice programs interviewed for this report. To better understand the strategies these companies have developed to combat their specific limitations, we review the spend visibility issue, among other key concerns:



- **Limited access to timely and comprehensive travel expense information (i.e., poor spend visibility).** Most companies Aberdeen has examined cite accurate and timely visibility into travel spending – as well as information on compliance to policies, preferred suppliers, and regulatory requirements – as their leading motivators for action today. The underlying causes are many – booking data from agencies is often incomplete and may take weeks to months to get. Increasingly, employees are also booking online directly with consumer sites with the idea they are saving the company money through seemingly lower fares. (Ironically, this isolates their trip dollars from volume discount commitments with suppliers.)

And while trip expense reconciliation information is more complete, the majority of companies are still relying on manual, paper-based approaches to reimbursement. While many use spreadsheets to facilitate data entry, there is no detailed roll-up of expenses in a central data source, and most often accounts payable (A/P) must still re-key information in for payment.

- **Controlling cost of operations.** Given poor or total lack of visibility, companies are concluding they cannot add staff to solve the problem. What really is accelerating travel cost management automation initiatives is increasing process costs. On the travel booking side, companies are seeing agency fees creep upwards of \$50 per trip as the economics of their business change. Companies also find it hard to justify maintaining their own internal agencies in the age of outsourcing non-core competencies.

On the travel expense reconciliation side, organizations are counting processing costs at the most basic level in A/P full time equivalent (FTE) hours dedicated to collecting, reviewing, auditing, and reporting on expense reports. This is also an area that companies are increasingly considering non-core. As one best practice company put it, “Internally, it is really hard to provide (value-added) benefits in T&E.”

- **Sustaining improvements to meet customer satisfaction.** Following closely behind these two primary motivators for change in travel cost management, we talked at length with best practice companies that never lose site of the internal customer they are supporting in their day-to-day business tasks. Many cite 24-hour-a-day, seven-day-a-week (24x7) access to automated tools available for trip booking and expense reconciliation as a part of their best practice efforts.

On the expense side, getting paid within one week of submission of an expense report is a big win for employees. This is also true for the company, though – timely reconciliation means no more late fees or credit interest, and corporate card rebate programs even pay dividends for prompt payment.

- **Selecting the right travel partners.** Last but not least, what do best-practice companies report they are able to achieve after undertaking an improvement initiative today? The answer: More peace of mind that they are working with the right suppliers and seeing improved quality of service. As many of the best-practice companies note, once they were able to collect data more granularly — whether through a centralized program, an online booking tool, a web-based expense management solution, or all of the above — at the end of the day the improved visibility into costs and operations enabled them to leverage volumes and gain a stronger negotiating position that lends itself to sustained savings and more strategic business relationships.



Chapter Two: Key Business Value Findings

Key Takeaways

- Improved travel cost visibility and control demand a number of online information collection and automation mechanisms.
- Enterprises need to think of travel management as a lifecycle process and align or ally business operations accordingly.
- Enterprises employing automation at key points of the lifecycle have gained significant benefits in overall travel programs and business effectiveness.

As mentioned above, Aberdeen's 2004 benchmark research showed that expenditure visibility — or gaining access to sufficient and timely data — remains the primary challenge to the success of a travel cost management program. As such, information collection and action on the data is at the heart of all improvement initiatives.

In the same study, Aberdeen identified four common strategies that enterprises are adopting to improve travel cost management and drive optimum cost savings:

- Designing new policies and implementing stronger policy communication
- Improving contract terms and pricing, including establishing global agreements
- Automating reservation and booking to improve customer service for travelers and policy and contract compliance
- Automating travel and entertainment (T&E) reimbursement processes to lower administration costs, provide improved access to data, and ensure compliance on the back end

We acknowledged that technology was either a basic input, a sustaining enabler of improvement efforts, or, even more important, a central enabler itself of each strategy. The purpose of this report is to shine light on how specific solutions support companies' strategies to overcoming particular travel cost management challenges and to share lessons they learned in their implementations to facilitate optimum performance in new initiatives at other enterprises moving forward.

The Total Cost Management Framework Applied to Travel

To provide context, Aberdeen applies the Total Cost Management (TCM) framework to travel as we do to all categories of spend. Increasingly our research shows that companies are turning to category management strategies, combining standard sourcing and compliance procedures with process automation and improved data management and spend analytics to holistically manage the total cost of a good or service and its associated supplier relationships.

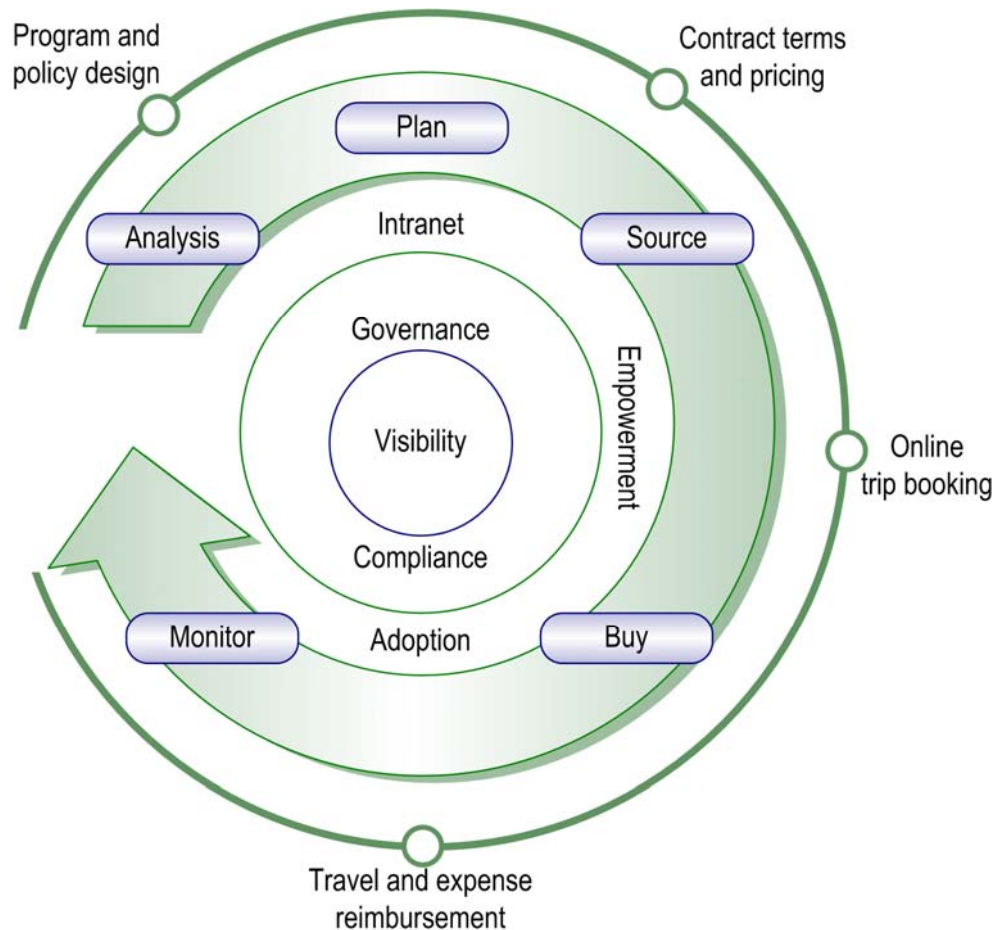
As a review, developing an effective TCM framework requires enterprises to organize and integrate their strategies and actions around five key processes: analyze, plan, source, buy, and monitor. Effectively executing these activities requires organizations to build policy and technology infrastructure that supports communications, collaboration, consistent control and visibility, and specifically in the travel arena, four specific key functional areas (Figure 1):

- Program policy and design
- Contract terms and pricing



- Online trip booking
- Travel and expense reimbursement

Figure 1: The Total Cost Management Framework Applied to Travel



Source: [AberdeenGroup](#), August 2005

Program and Policy Design

Surprisingly, our interviews with many of the best practice companies revealed that the true first step in their travel management initiative was to take a hard look at their travel expense policies and procedures. The impetus behind this effort is executives' renewed commitment to Sarbanes-Oxley controls and audits, which revealed some questionable practices.

Some found that they had more than a dozen approaches to travel through different business units or locations, through historical practice, or merger and acquisition. Others found that they had a policy that was regarded more as a "guideline," which employees either inconsistently adhered to or ignored.

Also of note, many organizations which may have felt they had a good policy, found that employees were not as aware of it as believed. This was also expressed in the frustration that many travel



managers and accounts payable people expressed with trying to adhere to and apply multiple disparate processes themselves.

So while establishing a single policy and process is critical, companies need the ability to consistently communicate it to employees. With an increasingly distributed workforce, reliance on an intranet and employee compliance tools is key.

Contract Terms and Pricing

Once an organization knows where it stands on its travel policies, it can more confidently engage with the supplier community. Today, suppliers in the travel industry want more assurance that they are going to get the business they need to sustain them throughout the year.

That is where preferred supplier agreements come into play, and best-practice companies with the key underpinnings of a total cost management approach in place are well positioned to get the best rates. They know what they are spending with all suppliers across the company and they are leveraging that for volume discounts, as well as improved services — confirmed availability of over-night rooms, for example.

These agreements also insulate companies somewhat from the vagaries of the travel industry to create more predictable travel expenses. Yet, as the next two items will discuss, contracts mean nothing without compliance.

Online Trip Booking

Unlike other employee purchases that can have strict controls like approved purchase order numbers and dollar amount limits, the booking step is where travel policy and contract terms should be applied – but too often aren't. Feeling entitled to make personal choices (as many traveling professionals are often in transit on their own personal time), employees may override travel agent recommendations. And agents are individuals trained in customer service who are not accustomed to contradicting their clients' requests.

In addition, as discussed above, many people like online consumer sites, and they use these outlets when booking their travel for work. Yet these transactions fall outside the TCM circle and cannot be tracked by diligent travel program managers.

That is why centralized programs and corporate booking tools are proving to be the key compliance mechanisms for encouraging employees today to make their arrangements appropriately. These approaches have ancillary benefits as we shall review in the case studies – the company knows where its employees are going to provide additional support or aid in case of emergency, for example.

Travel and Expense Reimbursement

The last step in the travel purchase loop is the reconciliation process, where the company tries to verify that its employees complied with all policies and contracts after the trip is completed. While strong agency support and booking tools are excellent in channeling employees to the appropriate options on the front end, travel is still a very dynamic activity, with many factors involved, from last-minute client service requirements to the weather impacting actual trips.

Of note, because so many organizations take advantage of travel credit card programs integrated with expense management reconciliation today, this is the final step before company funds are spent. As such, Aberdeen has found that it is becoming the final compliance check – for policy and supplier conformance, and as such, helps directly fulfill the regulatory requirement for financial oversight.



The Measure of Success

Average data points from our Best Practice pool illustrate the impact of automation in these areas, primarily the online booking and expense reconciliation stages. While Aberdeen has seen technology applied to supporting policy and contract creation in the form of document sharing and publication, these elements become meaningful in the booking and reconciliation steps, which can be more easily measured.

Table 3 shows the ranges and the averages for the companies in our best practice study following their particular initiatives. Most cover a 6 to 18 month term of identifying a solution, deploying it either on-premise or as a hosted application, and significant enterprise-wide implementation.

For specific performance attributes, including exact process application, dollar figure savings, and cycle time reductions, see the case studies in Chapter Four.

Table 3: Savings from Best Practice Travel Cost Management Initiatives

Areas of Financial Impact	Average Improvement	Range of Improvement
Overall travel budget reduction	7%	3% – 15%
T&E reimbursement costs reduction	65%	50% – 92%
T&E reimbursement cycle time reduction	86%	80% – 95%

Source: [AberdeenGroup](#), August 2005



Chapter Three: Recommendations for Action

Key Takeaways

- Best-in-class travel cost management performers have centralized programs for establishing policies, procedures, and preferred suppliers provide a clear governance program to ensure compliance; and rely heavily on automation to manage both.
- Aberdeen has identified 10 specific tactics that are common among those enterprises getting the best return from their travel initiatives and investments that companies should bear in mind as they develop or extend their own travel management efforts.

As a review, Aberdeen's 2004 [Category Spend Management: Travel](#) survey-based benchmark study mapped companies into categories to gauge their travel cost management maturity. Assessments were based on their characteristics in four key categories:

1. Process (standardization and efficiency of travel processes across the enterprise)
2. Organization (alignment of travel purchase decisions across the enterprise)
3. Knowledge (visibility and accuracy of travel spending, supplier utilization, and policy compliance)
4. Technology (use and integration of travel automation and outsourced services)

"Best-in-Class" performance attributes, outlined in Table 4 below, were used to assess the Best Practice companies recognized in this report.

Table 4: Travel Cost Management Competitive Framework

	Industry Average	Best in Class
Process	Travel procedures are formalized. Agency and line manager tasked with oversight of compliance.	Formal policy supported by informed and empowered corporate travelers.
Organization	Divisional-based or geographical-based decisions for travel spend. Governance encourages compliance.	Centralized travel program utilizing an intranet and distributed access tools. Governance enforces compliance.
Knowledge	Visibility to 70% of expenditure. Focus on airline, hotel, and rental car. Some visibility into compliance before booking or reimbursement.	Visibility into greater than 70% spend, including meetings and events. Access to ad hoc and real-time reports, proactive compliance alerts, and actions.
Technology	Multiple fragmented sources of information. Heavy reliance on agency and P-card system, manual reconciliation.	Use of online booking and T&E reimbursement applications. Leverage of automated sourcing solutions where applicable.
Performance Metrics	Greater than 70% of spend managed by program. Focus on reducing transaction costs.	More than 85% of spend managed by program. Focus on business unit budget impact.

Source: [AberdeenGroup](#), August 2005



Best-in-Class Firms Rely on Centralization, Governance, Automation

The key differentiating attributes of best-in-class travel cost management companies we interviewed are the centralization and consolidation of travel and trip data and program oversight, an established policy and procedure for compliance and enforcement (e.g., governance), and the use of automated tools or third-party solutions to facilitate both.

To help enterprises better understand more tactical approaches that can make travel cost management an efficient, accurate, and repeatable process, Aberdeen's Best Practice project identified 10 strategies common among enterprises with the most successful total telecom cost management programs. In this way, we shed some light on exactly *how* organizations are achieving these differentiating results today.

1. *Understand current travel expenditure commitments at a granular level through online information collection and analysis.*

Again and again, interviewees for this report echoed the benchmark by citing the primary business challenge motivating improvement in travel cost management: poor spend visibility. In addition to impacting employee service issues like booking adoption rates and reimbursement cycle times, limited expense understanding effects auditing capabilities for risk mitigation, and preferred supplier negotiations, for generating procurement value.

Because most companies have no real timely convenient insight into their travel spend when sourcing, it is difficult to quickly identify opportunities for vendor consolidation, spending leverage, and improved travel utilization (see below, #9). And Best Practice companies readily admit such insight has really been one of the key enablers of travel cost transformation.

For instance, best practice finalist Siemens UK worked with E Travel Advisors (ETA) to address the cumbersome amount of data involved in sourcing a booking tool as well as a travel management company. After considering several internal and external options, it used ETABid to collect all of its requirements and weigh vendors' responses. The company estimates that it reduced sourcing cycle time by 71%.

The ability to collect information online and e-source is only getting more important. The next frontiers for savings: hotels and meetings. These slippery travel expenditures are virtually unleveragable for discounts without serious aggregation of information – what cities are involved, what times of year, volumes of commitments. There is little hope for improvement here that companies will see significant gains without some type of online data collection and comparison (beyond spreadsheets).

2. *Centralize travel management and supplier negotiations.*

As obvious as this recommendation may seem, it is critical to truly establish a travel management program. It is only when operations are centralized that companies can get the visibility into the volumes that promise the preferred supplier discounts.

Whether internal or external to the organization, one group has to have a view into as much spend as possible. (Of note, this most recent research reveals that even a view into all U.S. or North American travel is a start.)

For example, Best Practice finalist XL Services Ltd, a \$10 billion Bermuda-based global insurance firm, spends an estimated \$18 million on travel each year. In 2003, it consolidated its North Ameri-



can travel operations under one travel management company and planned to use the leverage of known expenditures to negotiate airline deals.

Up until that time, it did not have any consolidated airline agreements. It engaged with eCLIPSE Advisors (since acquired by American Express), to help it leverage its volume for discounts to the tune of a 12% year-over-year savings in 2004 through the consolidated approach.

Martin Gutteridge, senior vice president and global chief information officer at XL, noted the company has achieved qualitative benefits as well. Using only a small, focused internal team, XL has one main point of contact at each airline for service-related issues, and works with eCLIPSE to identify non-compliance to its agreements through monthly consolidated reporting. But key to that was centralization. “Until we had a global view, we were behind the eight-ball,” said Gutteridge.

3. *Establish a single travel policy, including booking and reconciliation procedures.*

Once a centralized group is in place, companies need to leverage this structure to establish a single program of policies and procedures. We saw the necessity for this played out at a number of global concerns in our study, such as the Best Practice winner in the entertainment industry, which suffered from 16 different travel reimbursement approaches alone.

Companies also have to establish that *using preferred providers is the company policy*, not just a suggestion. While frequent flier miles may make a preference with individuals, great discounts for volume business and market share are at stake. This applies to corporate card use as well — volumes there translate into real rebates. At Applera Corp. the rebates are even funding the T&E automation program.

4. *Communicate the policy clearly, consistently, and ubiquitously to employees.*

While online booking and reconciliation tools facilitate tremendous employee compliance, simply having a mechanism in place to govern employee behavior will still have significant impact. A major health organization we spoke to for the report assessed its travel compliance performance recently and calculated that it was forfeiting 7% of eligible costs savings through employee non-compliance with its preferred vendors and contracts.

Spending close to \$40 million a year on travel and events, this company implemented new policies including 14-day advance booking pre-approval, and even hotel options near company headquarters (based on employees with a rental car or without). (To balance business with both in order to ensure availability, it had two options – one across from its head office and one a few miles away. Employees with cars must go the farther distance.)

Agency representatives from American Express alert employees when they are outside policy and send non-compliance communications and reports. The global travel manager and his team work directly with cost controllers in each of its seven business segments to help influence and change traveler behavior on a pre-trip basis to catch non-compliance before funds are spent.

“If we know ahead of time, we are able to affect employee behavior,” said the global travel manager. “We can make them aware of our policies and programs, which helps us successfully balance our volumes.”

Today maverick bookings are down to just 0.1% of spend at this healthcare organization, translating to \$1.2 million in savings recouped in the 14-day advance pre-approval policy alone. Another interesting benefit: car rental compliance is at 98% with the preferred provider, and as insurance is



automatically included in the preferred agreement, the healthcare company eliminates this risk issue as well.

5. Facilitate employee adherence to policies and procedures through easy-to-use and access tools.

By and large, our research has shown that people do want to comply with policy and save the organization money – if it is also the path of least resistance. Take the American Medical Association, for instance.

With employees making 3,000 trips worth \$1 million a year, it recently replaced its on-site managed agency with Travelocity for Business to reduce booking fees and lower ticket costs. The other primary concern was maintaining convenience and service for its staff and affiliates.

AMA was able to slash fees per trip from \$30 to \$5, with 99% adoption in six months. A major factor was the 24-hour-a-day, seven-day-a-week service available from Travelocity, as well as additional convenience features like e-mailed itineraries and real-time reporting as benefits.

Another example is Applera Corp. Applera created a “TravelSmart” site on its intranet where all of the information and tools employees need for traveling and reimbursement reside on one page. In this way, it is able to communicate the policies, procedures, and suppliers it is engaged with at the same time, making compliance convenient for all travelers.

6. Enforce your policies.

Knowing the foibles of human nature, one shouldn’t be surprised that so many of the world’s largest businesses suffer from inertia when trying to get their employees to do what’s right by the firm, i.e., increase revenue and profitability by containing costs. However, as mentioned above, executives have a new stick to wield: Sarbanes-Oxley.

Bob Mendence, finance manager for Applera, a science firm very much concerned about regulatory issues, put it equitably, “The rules apply to everyone.”

But for some it is still harder said than done. But we will say it again: mandate compliance. In the two years since our last best practice report in the travel space, we have seen more and more companies get aggressive in their governance of mandates.

You must enforce, or at least threaten to enforce. You may be surprised in the uptick in compliance.

A few Best Practice firms use “a three strikes and you’re out” rule: the first time employees infract they are reminded of the policies, the second time they are warned that they will not be reimbursed. On the third offense, they will be out money from their own pockets.

One finance professional that has experience mandating noted, “We rarely get to strike three.”

7. Give your suppliers the business you promised them.

More and more Best Practice companies are tracking this at the reconciliation stage as well.

When Starbucks deployed an online travel booking tool it was equally about employee convenience as it was about preferred supplier and policy compliance. Yet the whole concept of “visual guilt” – or choosing a lower cost option when being presented with two similar itineraries online – factored into considerable savings at the coffee company as well as other Best Practice companies.

The flip side of this visual guilt? Contract volume obligation fulfillment, which is key as the travel suppliers reward their key customers with discounts based on volume share per market.



“It is getting increasingly hard to negotiate [discounts with the travel suppliers],” said Deb Vasseur, travel manager at Starbucks. “So in turn, we have to give them the business we said we would.”

8. Use your own data as the de facto standard.

As mentioned above, the challenge with improving travel has been information, yet travel details come from many sources – the agency, the credit card, vendors. All these entities are outside the organization, and all need to be verified (in theory) with the employees actually doing the spending.

This is the compelling reason why companies want to consider having their own internal mechanism to capture a “single point of truth” – and our best practice interviewees said typical financial and enterprise resource planning systems are not the ones to do it. They are simply not set up for the granular level of information needed to act and react quickly to the travel market.

Of note, American Electric Power is leveraging its expense reconciliation platform from Necho as the backbone of a larger initiative to track all employee-initiated expenditures beyond travel. By having a single source for expenses and approvals, it can eliminate more non-value-added processing in A/P as well.

9. Act on the data you collect.

Time and again, companies that cited process bottlenecks and costs and employee service as the primary motivators for improving travel management tout the value of the information they are collecting and the fact that they never had access to it before. Yet with collecting data comes the responsibility to do something with it – at the most basic level, leveraging it to improve policies and contracts. But a number of companies are getting creative in the lengths they are going to make it actionable.

Two Best Practice companies noted that they are analyzing their trip data to understand more complex business issues like customer profitability. Specifically, both organizations are examining why their people are traveling via tracking if a trip was to meet with an internal team or a customer, and trying to reduce or eliminate the internal travel as a further cost containment initiative.

In this way, travel management becomes more than just a cost tracking and risk avoidance program. It is a key window into business insight that impacts larger corporate performance initiatives.

10. Be open to changing policy and supplier mix based on performance, business needs, and employee feedback.

Finally, do not become rigid in rolling out and mandating a set of tools and expect it to be the ultimate solution. Expect your organization to react strongly to changes at first, but then to provide valid feedback – on both the program and your travel suppliers – that will make your travel program stronger overall.

One large computer manufacturer we interviewed for the purposes of this report is constantly striving to improve operations and optimize supplier relationships. As such, it puts all of its travel contracts out to bid every three years even agreements to audit its preferred provider relationships agreements! As a result, all suppliers stay on their toes – and the company encourages employee buy-in to the program as well.



Chapter Four: Best Practice Case Studies

Key Takeaways

Ten enterprises are recognized for demonstrating best practices in travel cost management:

- Acuity Brands Inc.
- American Electric Power Company Inc.
- American Standard Companies Inc.
- Applera Corporation
- The Chubb Corporation
- Enbridge Inc.
- Hormel Foods Corp.
- HNTB Companies
- Starbucks Coffee Company
- Top Entertainment Company

Aberdeen reviewed more than 30 leading travel cost management programs and system deployments and identified companies with highly successful initiatives.

Case studies of these successful best practice enterprises follow in this chapter. One entertainment company requested to remain anonymous.



Acuity Cleans Up Travel Costs with Hosted Expense Management

Business Challenge

Acuity Brands Inc. develops products that make the world a brighter and cleaner place. It manufactures lighting fixtures, including brands Lithonia Lighting and Holophane, and blends specialty chemicals into cleaners such as Zep.

In 2001 though, its travel expense processing situation was dark and dreary. The Atlanta-based company had little insight into its travel costs due to manual paper processes. Its employees had to wait up to three weeks to be reimbursed after submission.

In terms of volume, Acuity personnel filed more than 800 reports a month for travel in support of business throughout North America and in Europe and Asia. As a result, two full time resources were required to process the \$6 million spent on trips each year.

Solution Selection and Deployment

Acuity identified the ability to deploy an expense management automation solution as the key strategy to streamline its travel expense report processing challenges. Acuity evaluated several vendors in 2001, including its incumbent financial enterprise resource planning (ERP) module. It honed in on “best-of-breed” solutions that specialized in travel expense reimbursement automation when it found its ERP severely lacking.

As Acuity had limited information technology resources to install and maintain a premise-based application at the time, it also identified the opportunity to outsource the software hosting as well. It expected a faster implementation time and equal or lesser maintenance costs through a specialist third-party provider than its own internal team could deliver.

Another critical piece of functionality Acuity required was integration of data from its travel card program provider, American Express. In the end, it selected Redmond, WA-based Concur Expense Service for the comprehensive features it offered, the support and experience of the Concur people, and Concur’s pricing approach – the on-demand service is offered for a predictable monthly fee that Acuity could budget.

Acuity’s lighting division deployed Concur Expense Service for all travelers in late 2001 and within 90 days. In June, the company completed the process of upgrading to Concur

Overview

Company Name

Acuity Brands Inc.

Solution Providers

Concur Technologies Inc.;
American Express Company

Business Challenge

Manual expense process was costly, inefficient and precluded visibility into spend. IT resources prioritized elsewhere.

Strategy

Deploy web-based on-demand expense management automation service hosted by provider, integrated with travel card.

Value Achieved

Reduced administration resources more than 50%; employees reimbursed weekly with direct deposit; improved insight into travel spend to improve policies and compliance.



Expense Service 7.1 to take advantage of receipt imaging, as well as more advanced analysis capabilities.

Results

Following the deployment of Concur Expense Service, Acuity was able to refocus its two full-time resources processing expense reports on more valuable activities, including analyzing the improved travel spend data and developing and tweaking its travel policies. When the company first deployed Concur, it didn't have clearly defined rules for its travelers, yet with the data it was able to collect online, it evaluated items like meal spend and mileage issues, and worked to clarify for employees what was appropriate.

Big productivity gains have also come in the auditing process. Leveraging Concur's "Intelligent Audit" capabilities, Acuity can focus efforts on likely issues and employees aren't bogged down by cumbersome reports and receipts.

"Internal auditors don't have to go through a lot of paper," said Heather Anderson, supervisor, employee accounting. "Concur has been very beneficial on auditing, for catching fraud and policy issues. There is really much better visibility."

Acuity is also leveraging Concur's advanced information analysis capabilities, offered through a partnership with Cognos, to analyze its spend in preparation for supplier negotiations. For example, it recently leveraged the system to determine top cities its employees are flying for city-pair discounts with airlines and car rental agreements as well.

Of note, the company recently reviewed its relationship with Concur in light of the fact that the T&E reimbursement module is included in its financial ERP license. Anderson concluded, "It was worth it to keep Concur."

Lessons Learned

There is no doubt in Anderson's mind that all companies should automate the expense management processes today, but she does warn that it takes a lot of change management to get all employees using the system. She suggests understanding employee "hot buttons" – in her case, people wanted a tool that was easy to use and convenient – and let that help drive your program roll-out.

"It is hard at first, and seems like a lot of work, but be positive about it and it will get better," said Anderson. "You will be happier and so will the employees."

Future Outlook

Acuity plans to expand the Concur implementation to its Holopane, Ohio division. Along with company acquisitions, this expansion will more than double the number of reports to process in the next year from 800 to 1,600 a month.

Aberdeen Conclusions

Like many firms that decide to automate travel and entertainment expense reimbursement processing, Acuity Brands realized that it could achieve faster time to value by outsourcing the technology administration. Opting for a hosted solution model removed the headaches



of maintenance and resource commitment. And while the program does not run itself, the individuals involved are interacting with the travel spend details at a higher level – instead of pushing paper and checking math, they are evaluating policies and contracts, which deliver more material gains.



American Electric Power Generates Substantial Expense Savings Through Online Automation

Business Challenge

As one of the top power companies in the country, American Electric Power (AEP) serves more than five million customers and has as an electricity transmission and distribution grid covering parts of 11 U.S. states. AEP employees spend almost \$30 million on business travel each year.

Since the early 1990s, AEP had a number of corporate travel and purchasing card programs in place to control these costs, which restricted employee spending to particular categories and dollar amounts. However, when the \$14 billion company grew through a merger, not every entity followed the same travel rules and regulations. And AEP did not have central visibility into total costs to best manage its business risks and leverage supply commitments.

To gain better insight into its spending habits and establish fraud control measures, AEP created a shared services group in 1998. At the same time, it opted to upgrade several accounting-related processes as its information technology department phased out support for older mainframe-based purchasing card applications. So it looked to an online travel expense reconciliation solution.

Solution Selection and Deployment

After an exhaustive review of AEP's internal processes and several expense management vendors on the market, AEP selected Necho Solutions of Toronto, Canada. It appreciated Necho's proven track record in expense reconciliation automation, including card integrations, as well as its employee-initiated expense reimbursement domain expertise.

AEP installed the Necho system on-site at its Columbus, OH, headquarters for enterprise-wide use over multiple business units. Today the web-based solution is accessed by almost 20,000 AEP employees processing more than 122,000 expense reports each year.

Of note, AEP recently transitioned to a "one card" corporate credit card program from Bank One (now JP Morgan Chase Mastercard) to support all of its employee-initiated ex-

Overview

Company Name

American Electric Power Company Inc.

Solution Providers

Necho Systems Corp.; JP Morgan Chase Mastercard "one card" solution; Universal VAT Services

Business Challenge

Disparate manual employee expense reimbursement processes among business units precluded close control and preferred supplier discount opportunities.

Strategy

Deploy web-based employee expense reconciliation tool integrated with its travel and purchasing card programs.

Value Achieved

Reduced reimbursement cycle times 95%; cut processing costs almost \$400,000; reduced overall travel spend \$1.6 million through increased leverage with vendors; gained \$465,000 in annual card rebate payments.



penditures. Since that time, it has been reconciling many types of employee-initiated spend through the Necho solution, above and beyond 100% of travel.

Results

AEP quickly benefited from improved reimbursement cycle times, costs, and controls from the Necho solution. Employee reimbursement request-to-payment cycles dropped from six weeks to two days, and AEP was able to eliminate \$399,000 in processing costs each year.

The company has also been able to control inappropriate usage of its travel and purchasing cards to 0.02% of spend. With increased use of its “one card” solution, AEP has gained an average \$465,000 rebate per annum it had never before earned.

AEP is also in a better position to claim rebates on value added tax (VAT) on the \$0.5 million of international travel its employees do. Prior to the Necho solution it didn’t do any VAT reclamation as the accounting department estimated the effort required to collect all of the information and receipts to produce the results was not worth the investment. The online solution streamlined that process considerably and has made it worth their efforts.

“Since we have it all in an electronic system now,” noted Steve Quincel, manager of employee expenses for AEP, providing the data to its third-party VAT reclamation firm Universal VAT Services of Derry, Northern Ireland, “is a piece of cake.”

More significantly, though, AEP has relied on all the centralized data and compliance controls in the solution to gain \$1.6 million in annual expenditure reductions. It is better able to leverage its corporate-wide spending volume for discounts with air, hotel, and car suppliers.

“It is a two-way street. Travel vendors want to see their market share improve, so we see what we can leverage for a win-win,” said Georgy Huffman, travel and events planning coordinator for AEP. The Necho tool helps ensure employees purchase with the preferred providers.

Lessons Learned

Quincel noted that the visibility into expenses and compliance controls have been key for the power company as it operates in a regulatory environment. Reporting requirements vary among the states in which AEP operates, so the ability to do online reporting has greatly facilitated the reporting process.

Future Outlook

AEP is investigating increasing the single transaction limits on its “one card” program for purchasing supplies to reduce the number of invoices the accounts payable department receives. It has estimated that 80% of its invoices are under \$2,500 so that by leveraging the online workflows and approvals in the Necho solution to ensure all purchases are still authorized and appropriate, the company expects to make another significant impact on A/P processing costs savings.

The company is also considering pushing its receipt imaging out to the field to reduce central processing costs further. Currently AEP employees send bar-coded packets to a shared



services office in Canton, OH, where clerks scan the receipts and index them by expense account number.

Aberdeen Conclusions

AEP has taken employee-initiated expense reconciliation to the next level. Pioneering successful use of a “one card” program, it now has greater visibility and assurance that its people are spending money appropriately, at the same time it is able to leverage that volume into preferred provider discounts. The third element of benefit is the pure process savings it has gained in accounts payable – a perfect pyramid of best practice success.



American Standard Eliminates Travel Inefficiencies with Assistance from Outsourced Automation

Business Challenge

Although perhaps best known for its bath and kitchen products like toilets and sinks, Piscataway, N.J.-based American Standard Companies Inc. is a \$9.5 billion global diversified manufacturer whose biggest business is air conditioning. It operates a vehicle control systems business, too.

Nearly 15% of the company's 61,000 employees travel to more than 35 countries in support of its businesses – spending more than \$50 million in travel and entertainment each year in the process.

Before 2002, American Standard's process for reimbursing its U.S.-based people was anything but standardized though. The company counted 16 different processes within its operating units – with one of the few commonalities being expense reports were all paper-based.

Solution Selection and Deployment

To simplify its procedures, reduce the costs of processing requests, shorten payment cycle times, improve employee productivity, and apply one expense policy across its U.S.-based operations, American Standard looked to an automated solution. At the time, it was initially leaning toward purchasing a licensed application and installing it internally, but was open to a solution hosted by the software provider as well.

Ernest Guerra, director of travel services at the company, said his team quickly came to see the opportunity to outsource to a hosted solution. The primary driver was that it freed up American Standard's internal information technology (IT) resources.

Once the outsourcing decision was made, American Standard's typically strict due diligence process became even more exacting as it would be handing over financial data to a third party. The company ended up choosing Gelco Expense Management from Gelco Information Network Inc. of Eden Prairie, Minn., based on the company's financial stability. American Standard also had had a prior good experience working with Gelco in its bath and kitchen business.

"There were several companies out there [who could provide a hosted expense management solution at the time]," said Guerra. "We wanted someone to stay the course with us."

Overview

Company Name

American Standard Companies Inc.

Solution Providers

Gelco Expense Management

Business Challenge

Needed to standardize travel expense report process and policies; reduce reimbursement cycles and costs; gain visibility into spend.

Strategy

Outsource expense management via web-based solution and payment service.

Value Achieved

Cut reimbursement process costs in half; cycle time to payment down from three weeks to three days.



American Standard opted for Gelco to host and run its web-based expense management application for all of its U.S.-based travel credit card users, as well as handle direct deposit payments to employees and its card provider. At the end of June 2005, American Standard had more than 7,000 salaried employees using Gelco to be reimbursed for expenses.

Results

Following the Gelco implementation, reimbursement cycle times dropped from three weeks to three days. Today employees report improved service, with visibility into past trips and expenses to support budget planning activities as well.

American Standard was very conservative in its estimate of return on investment in outsourcing to Gelco Expense Management, calculating only the hard dollars saved in eliminating or avoiding head count in accounts payable processing of expense reports. Even so, it is very comfortable with the ROI from Gelco. And while it did not factor in other savings, such as overnight mail expenses or credit card late fees from tardy report submissions, American Standard feels it has benefited from eliminating these costs as well.

More strategically, though, American Standard has been taking a closer look at its employee-initiated spending detail and is leveraging that knowledge in its travel supplier negotiations. It has found that the level of spend information collected online today across its companies gives it better insight into larger business operations as well.

“Travel agency data is only booked data – employees may extend a trip, and there are other expenses to account for, such as meals, ground transportation, and taxes,” noted Guerra. “Now we are able to see all of the information centrally.”

As an example of spending analysis supported through the Gelco system, American Standard has been assessing the costs of all flights, hotels, and meals in particular regions and identifying opportunities for cost reduction based on average costs as a benchmark. It has established new policies on maximum expenses and set thresholds around the averages to flag for further review.

In addition, Guerra’s team has been analyzing the cost of trips to serve customers versus trips for internal business. Interestingly, the company has found that it spends \$200 to \$300 more per trip for internal matters and has been investigating how it may bring those costs down, such as encouraging the use of alternative meeting methods such as phone.

As a result, American Standard's overall average trip cost since 2001 has been reduced by as much as 10%. Additionally, the business services team is now able to support more employees through the company's travel program, and the travel team's ability to process expense reports has improved 170%.

Lessons Learned

Guerra said that the automated system helped American Standard better understand why its travel spend was increasing, but it cannot affect many of the cost savings activities itself. He noted a lot of the travel cost savings came from policy changes that the company needs to continue to watch and work on.



Future Outlook

American Standard is expanding its Gelco implementation into Canada this year, bringing on another 500 users. It is also looking at supporting employees in Mexico, although it is currently assessing if the cost of an automated system is offset by reductions in labor costs to process expense reports south of the U.S. border.

The company is also processing the \$5 million to \$6 million it spends on company meetings each year through the Gelco system. Meeting organizers today have special meeting credit cards that could benefit from the workflow-driven approvals in the Gelco system, which will also help Guerra's team better identify who is doing the spend within the different business units and leverage that with other travel spend management activities.

Aberdeen Conclusions

As a manufacturing concern, American Standard is applauded for recognizing its core competencies and working with an established process expert to take on the responsibility for a non-value-added procedure within the firm. At the same time, it has gained new-found visibility into a major expense category particularly ripe for optimization – and at a time when manufacturing margins are consistently under pressure. While it has had to work on its own internal controls and policies to effect major cost control changes, the compliance mechanisms in the web-based solution make communicating the modifications that much easier.



Applera Discovers Sequence of Benefits from Travel Cost Management Automation

Business Challenge

Applera Corp., which reported \$1.8 billion in net revenues in fiscal 2005, is enabling and leading a revolution in the understanding of biology. As a premier systems provider for life science research and an innovator in the discovery and development of novel diagnostic and drug products based on the new science of genomics and proteomics, Applera is working to bring about a new age of targeted medicine.

The bulk of its revenues come from Applied Biosystems Group, which serves the life sciences industry and research community by developing and marketing instrument-based systems, consumables, software, and services. Applera's two other businesses are Celera Genomics, and Celera Diagnostics.

Approximately 3,500 employees in eight locations and more than 600 field personnel in the U.S. incur expenses on behalf of the firm and need to be reimbursed. In the past, Applera had poor central visibility into these expenditures due to incongruent internal controls across business units and locations and inconsistent compliance with existing expense policies.

In early 2003, the company decided to revitalize its travel expense management program through a series of linked automation initiatives. At the time, it felt this would give it improved scalability to support more employees, enhanced insight into its expenditures, and reduced processing cycle time and costs. In addition, it would help support its regulatory requirements, including Sarbanes-Oxley.

Solution Selection and Deployment

After selecting a Visa corporate credit card program, Applera evaluated automated expense reconciliation applications and chose Concur Expense Service for its functionality, including ease of use and deployment, advanced reporting, and integrated receipt imaging. Following a 90-day deployment process, Applera now processes 100% of travel costs online

Overview

Company Name

Applera Corporation

Solution Providers

Concur Technologies Inc.;
American Express Company; Visa

Business Challenge

Needed to standardize travel expense report process and policies; reduce reimbursement cycles and costs; gain visibility into spend.

Strategy

Overhaul travel spend management program, deploying an automated booking tool, corporate credit cards, and automated expense reconciliation solution.

Value Achieved

Cut reimbursement process cycles up to 88%; redeployed FTEs responsible for report processing by 79%. Overall self-funded program through rebate fees with improved information visibility and compliance.



with the system, on average 500 reports each week, including receipts imaged through a fax-in service.

Employees access the hosted solution through the company's TravelSmart page on its intranet, which features information on its policies, preferred vendors, and travel alert and safety updates as well. This page also includes a link to its travel booking tool from American Express, to help employees ensure all travel expenditures are being arranged and tracked appropriately.

Results

The benefits Applera has achieved following its travel cost management initiative have well exceeded expectations, according to Bob Mendence, finance manager for Applera.

It has been able to reduce a team of seven full-time employees processing reimbursement requests to 1.5 full time equivalents (FTEs). Cycle times have been slashed up to 88%, down from upwards of two months for reimbursements some field employees were experiencing. Applera has also been able to eliminate the \$11 to \$12 per report in overnight shipping costs some of these individuals used to get their tardy reports in for processing.

More than half of its U.S. employee trips are booked online now, dropping agency fees significantly. Overall airfare costs have dropped three cents per mile since the TravelSmart initiative was put in place, compared to typical improvement benchmarks of one cent a mile, attributed in part to employees "visual guilt" in choosing less expensive fares.

Overall, the information Applera is collecting online now is helping in a number of ways, from fraud control to supplier negotiations. The company has more than 120 reports it uses regularly to support spend analysis and auditing.

"It is tough to get the data out of hotels and airlines that you need," said Mendence. "In two minutes I can get any data we need now from Concur."

However, the most compelling factor in its return on investment of the Concur implementation is its improved compliance of the company's travel card program. With the credit card integration, Applera has reduced out-of-pocket reimbursement from 46% of all expenditures to 9% and virtually eliminated delinquency rates.

As a result, the company's rebate from its corporate card program is covering the monthly Concur subscription fees on an ongoing basis.

Lessons Learned

The number one thing for a project like this to be successful is executive support, said Mendence. Leadership is what helps companies get the solutions in place but also to get employees to comply – adherence to the new procedures and policies emanates from the top executives as well, he noted, especially in the post-Enron economic climate.

"Nobody is exempt. If you are a public company, the rules apply to everyone," he said.

He noted that Applera relies on the Concur tool heavily to monitor employee compliance with red flags for out-of-policy submissions. But he also explained the company takes ad-



vantage of the “reason” fields for employees to explain non-compliance because exceptions do happen.

If an employee has to go outside the class of service policy for airfare, for example, take first class instead of business for a last minute critical client meeting, it is time stamped and dated in the tool to provide auditors the documentation they need to ensure fiscal responsibility. Overall, Mendence feels the travel initiative at Applera has increased employees’ awareness of cost and why the company has to manage it more closely.

“Employees will do the right thing — they just need to know what to do and they’ll do it,” he concluded.

Future Outlook

Applera is working with Concur to create separate databases within its implementation to capture additional employee-initiated expenditure details through its purchasing cards and meeting cards. This will replace manual paper-based processes around accounting for these expenditures today, and help support additional aggregation of spend and optimization activities of more sub-categories of spend as well.

Aberdeen Conclusions

Applera is applauded for undertaking such a considerable initiative to turn around its travel cost management processes. At close to \$2 billion in revenue and more than 5,000 employees worldwide, this was no small undertaking. However, its successful automation project has ended up paying for itself, in addition to providing all of the compliance and visibility benefits never before possible on paper.



Chubb Trims Travel Budget with Online Automation

Business Challenge

With more than \$13 billion in underwriting revenues, a large chunk of The Chubb Corp's business is insuring jet-setters – high net worth individuals and senior business executives. Chubb employees spend a great deal of time traveling to serve those customers around the world, and the company is aggressive about managing those costs.

In the U.S., Chubb was already using online booking tools to streamline travel arrangement processes and ensure preferred supplier compliance by 2002. Yet its adoption rates lagged because its employees still had to pick up the phone to book more complex itineraries, including multiple city flights and international trips that its incumbent tools could not handle adequately.

Solution Selection and Deployment

To push more of its trip volume online, a Chubb team re-evaluated its tool selection, led by Sheri Bonsall, assistant vice president, administrative services, with responsibilities for the company's U.S. travel program. In 2003, Chubb chose the Cliqbook tool from Outtask Inc., with electronic fulfillment done by American Express's center in Miami Lakes, FL, to replace its existing solution.

Calling Outtask a "very accessible tool," Bonsall noted that her team selected Outtask for its ease of use and its ability to address more complex bookings like "open jaw" itineraries (arriving in one location and departing from another) and off-site rental car bookings without an agent's assistance. By transitioning more of these types of transactions online, Chubb was able to close its own on-site travel office and use the lower cost electronic fulfillment.

Kicking off in September 2003, Chubb did extensive training to more than 1,400 travelers and travel arrangers to ensure the system was up across U.S. operations by the end of December of that year. It continued to do a lot of follow up with its internal employee "customers," and Bonsall has empowered a key member on her team, Lisa Adams, manager of travel administration and technology, to be the "resident expert" on the system. Adams is available to employees as a constant resource for them on Cliqbook.

Overview

Company Name

The Chubb Corporation

Solution Providers

Outtask Inc.; American Express Company; StarCite Inc.

Business Challenge

Low online booking adoption rates due to high percentage of complex travel; unmanaged meetings spend.

Strategy

Deploy new online booking tool capable of more "touchless" trips; integrated with meetings management solution.

Value Achieved

Adoption rates over 90% translated into 136% in fixed expense savings; average ticket cost reductions were 19%.



Results

A comparison of U.S. travel spend the year after implementing Cliqbook showed that fixed travel expenses dropped 136% and the average transaction fee was down 15%, while air volume increased 3% and total transactions were up 26%. First pass yield (known in the industry as “touchless” travel, which qualifies for the lowest transaction fee from the ticket finishing agency of record) for 2004 was 95%.

Overall travel department savings for 2004 on fixed costs translated into 42% year over year. Also of note, the average ticket price dropped by 19%.

Today Chubb U.S. employees are consistently at a 87% to 93% adoption rate for overall trip transactions and 100% for eligible trips of which 95% are processed without agent assistance by American Express. Bonsall noted, “we are very much a self-service enterprise.”

Bonsall expects total adoption rate to reach 95% of trips when Outtask adds direct connects to Amtrak to allow train reservations and bookings.

Lessons Learned

Bonsall noted that getting senior executive support is critical to online booking success but travel teams can’t expect leadership to rubber stamp their suggestions for improvement and compliance.

“We had to prove that we needed it and it would benefit the company financially,” said Bonsall. She notes the system was invaluable in supporting the documentation of spend data as well as quantifying savings analysis.

Future Outlook

Chubb recently selected the online meetings management solution suite from StarCite Inc. to help manage the events the insurance giant holds each year. Integrated with Cliqbook to fulfill air bookings, StarCite also lets Chubb coordinate attendee invitations and registration.

In the past, Bonsall’s team would often come in on the back end of meeting planning when contracts were already in play. While her team had compiled a database of potential properties and costs to help meeting organizers benchmark rates, now the travel management office can be more of a centralized resource throughout the meetings planning process.

Bonsall is also working with her Chubb peers in Canada, the United Kingdom, and Europe to consider using Cliqbook. To date, the U.K. has committed.

Furthermore, by leveraging both tools together, Chubb hopes to be able to use its meetings spend in its transient travel negotiations. The travel group previously did not have a good mechanism to understand the details of that spend, nor a method to serve internal customers that organize its events.

Aberdeen Conclusions

A seasoned user of online booking tools, Chubb would not settle for low adoption rates when the available technology could not keep up with its users’ trip sophistication. Its per-



severance was rewarded with a widely accepted tool that has enabled the company not only to reduce fixed fees, but to page in meetings spend, the next frontier for savings in travel cost management.



Enbridge Drills into Employee Expenses to Find Considerable Cost Savings

Business Challenge

With millions of miles of gas and oil pipeline operations among its key businesses, Enbridge Inc. is a \$5.5 billion energy-driven conglomerate that spends \$17 million on business trips each year.

Up until three years ago, Enbridge employees who traveled requested reimbursements for trip expenses through spreadsheet-based paper processes. However, its numerous operating units had individual spending policies and procedures for reimbursement, which precluded close tracking and optimization of its collective spending power.

Solution Selection and Deployment

To gain better leverage from its total travel spend, as well as streamline very labor-intensive and time-consuming reimbursement processes, Enbridge investigated web-based reconciliation tools in March 2002 as a part of an overall financial system consolidation program. In addition to being accessible from remote locations on its pipelines, a key criterion in the selection process for the expense reimbursement component was integration with its corporate credit card programs.

At the time, Enbridge was expanding the number of employees using cards to improve employee compliance on purchases and its visibility into total employee-initiated spend. It chose American Express for travel and a Bank of Montreal Mastercard purchasing card for indirect expenses like stationary and mobile phone use.

For the web-based expense management automation, Enbridge selected Necho Systems Corp. of Toronto because it could support the two card feeds, as well as integrate with Enbridge's existing enterprise resource planning (ERP) solution from Oracle. The team evaluating solutions felt Necho's solution best met its core requirements, including handling Canadian tax rules, and was easy to use and affordable.

Initially Enbridge rolled Necho out to a pilot group of 900 travelers, who accessed the system installed on servers at its Calgary headquarters. After establishing a centralized expense policy and process, it conducted hands-on training as well as web-based education sessions to reach many of its remote people. While the system was declared mandatory,

Overview

Company Name

Enbridge Inc.

Solution Providers

Necho Systems Corp.; American Express Company, Bank of Montreal Mastercard

Business Challenge

Disparate manual employee expense reimbursement processes among business units precluded close control and preferred supplier discount opportunities.

Strategy

Deploy web-based employee expense reconciliation tool integrated with its travel and purchasing card programs.

Value Achieved

Saving more than \$1 million each year in supplier discounts and processing cost avoidance.



Enbridge also worked to highlight its benefits in its company newsletter and market its importance internally.

Today more than 4,000 of Enbridge's 4,500 employees are using the solution to get reimbursed for purchases. Overall, the system processes 29,000 reports a year.

Results

Enbridge calculates that it has been able to reduce the cost of processing an employee expense reimbursement request from \$75 per report to \$32.73, totaling \$632,000 in annual processing cost avoidance. This process savings was calculated from a total review of the former manual process including the time and effort to create a report in the spreadsheet, print it out for approvals, and re-key it by accounts payable for review and check issuance, versus the cost of the new program utilizing Necho and the payment cards.

Enbridge also has identified a further \$450,000 in savings through improved strategic sourcing of employee initiated expense categories leveraging quarterly spending reports. Since deploying Necho, the company has improved visibility into its expenditures, but more importantly, has a mechanism to communicate a single improved policy to its employee constituents.

"We have consolidated a lot of buying through the use of purchasing cards, and (employees) do not get reimbursed unless they go through Necho," said Debbie Cook, manager, corporate administration. "And we have communicated to employees for certain areas, like stationary and wireless services (their spend) has to be with our preferred providers."

The employees are also benefiting as well. They are now reimbursed on average in two days, down from 10, and the majority of users reported they are very satisfied with the new system.

Lessons Learned

Cook acknowledges as the company went through the process of implementing Necho that it "identified some real holes in our policies." For example, it had no thresholds in respect to meals, and had wildly different costs for hotels nights in the same location.

Now her group has the ability to illustrate when its employees are being charged \$229 by a preferred hotel in one location, while other employees are paying \$460 a night in the same place. Armed with that type of data, Cook's team has been able to show employees why they really shouldn't book out of contract and the impact it makes to overall cost containment, and clearly establish one policy for all divisions.

Future Outlook

Enbridge is in the process of re-configuring its business rules in the current implementation based on what it has learned about its operations and spending habits to date. It is also working on two sets of reports, one for operating and financial accounting purposes, like Sarbanes-Oxley compliance, the other more strategic — for purchasing managers on vendor volumes.



It plans to continue to leverage the spend data it collects in the tool to tackle additional spend categories for optimization. For example, it has found that many of its employees in remote locations utilize home improvement stores for incidental parts and pipeline maintenance components.

Yet to date, Enbridge had not negotiated a master discount arrangement with a national home improvement supplier. Leveraging its purchasing cards and reimbursement tool combination, it expects to be able to shave a few percentage points off this category of spend through a preferred provider program as well.

Aberdeen Conclusions

As a large company, Enbridge saw the opportunity its aggregate spending clout, yet its distributed operations demanded an accessible tool – both literally and figuratively – to enable its employees to comply with master agreements and corporate policy. At the same time, Enbridge is a prime example of a company's cost management program being only as good as its policy – you need a mechanism to enforce that policy. In this case, the web-based expense management works hand in glove with company credit cards, and Enbridge is in a more powerful position for it.



Hormel Cooks Up Compelling Benefits by Outsourcing Travel Expense Management

Business Challenge

Most well-known for its canned spiced ham product, Spam, Hormel has built a \$4.8 million business expanding into many prepared food lines, including Dinty Moore beef stew, Jennie-O Turkey Store products, and the Chi Chi Mexican brand. To support marketing efforts of its popular offerings, Hormel employees spend \$20 million a year on business travel, filing 39,000 expense reports.

In early 2003, the company examined its travel expense management process for improvement as it was incurring significant labor costs and suffering from lengthy reimbursement cycle times. The company had 12 full time equivalent (FTE) employees processing paper requests for recompensation, and these individuals struggled to keep up with each division's different expense policies and processes.

"Each entity had its own process, its own T&E rules," noted Jim Sheehan, vice president and controller for Hormel. "There was no consistency."

Travel Cost Management Strategy

Hormel identified outsourcing travel expense processing and payment as a strategy that fit its goals for operational efficiencies. It wanted to work with an online solution provider that could support all of its locations company-wide, at the same time reducing overall process costs.

"We are re-focusing staff on value-added activities and improving timeliness," said Sheehan. "Internally it is really hard to provide (value-added) benefits in T&E. Outsourcing was a quick win."

Solution Selection and Deployment

After reviewing half a dozen business process outsourcing (BPO) firms for expense management, Hormel selected Gelco Expense Management of Eden Prairie, MN, primarily for its full-cycle capabilities, especially its payment services. Hormel particularly liked Gelco's "pay and approve" approach – the web-based application allows employees to submit an expense report and be automatically paid in three days. Any discrepancies identi-

Overview

Company Name

Hormel Foods Corp.

Solution Providers

Gelco Expense Management;
U.S. Bank Visa

Business Challenge

Increasing labor costs to manage disparate divisional travel expense requests; poor visibility and leverage of travel expenditures.

Strategy

Outsource expense processing and payment to full-service provider.

Value Achieved

Reduced reimbursement time from 14 to 3 days, decreased FTEs administering travel reimbursement from 12 to less than one, started receiving "significant" rebate from credit card provider.



fied and rejected by approvers after the fact are reconciled in the next reimbursement submission cycle.

Hormel also was attracted to Gelco's ability to integrate with its travel and expense credit card account provider, U.S. Bank. One hundred percent of Hormel's regular travelers are issued a U.S. Bank Visa and they can see their charges pre-populated in the Gelco system for easy report completion online.

Overall, Hormel converted its internal process to the Gelco outsourced solution in 90 days. It also worked with Gelco to image 100% of receipts to create as paperless a process as the U.S. Internal Revenue Service (IRS) will allow today.

Results

Today the Gelco system is in use for travel reimbursements across Hormel and employees are reimbursed in three days, down from 14. Of note, expense management automation is the only enterprise-wide application in place at the food conglomerate.

Hormel has been able to reduce 11 of its FTEs that previously processed expense reports by redeploying them across the 19,000-person company. (A number of them left through scheduled retirements.) The solution has also helped the company absorb the travel expense reimbursement demand of 3,000 new employees Hormel picked up through five acquisitions with no new labor costs.

The company is now enjoying a "significant" travel card rebate now that it has increased use of its preferred card supplier. In the past, it found that less than 10% of eligible travel was being put on the card; today that percentage is in the "upper 80s."

It has also seen travel expenditure categories drop 2% to 3% since deploying Gelco. Sheehan attributes it to the company's extensive use of warning flags to alert users that their expenses are beyond set thresholds around average spend per category as they enter them.

Lessons Learned

"Going to 100% imaging was a big help," said Sheehan. "That was a big win for us."

He noted that no longer requiring the employees to provide receipts (with the exception of hotel bills) has really driven up compliance of the corporate card use (and subsequent rebates). Furthermore, imaging has eliminated the storage of 500 boxes a year of paper reports and receipts as well.

Future Outlook

Hormel is looking at leveraging the information collected by Gelco to support value added tax (VAT) reclamation activities. The company has done a small bit of VAT reclamation in the past, but it expects to be able to glean more monies as it can more easily pinpoint appropriate expenses and required receipts.

Aberdeen Conclusions

With a clear vision of its core competencies, Hormel picked up early on the fact that travel and expense processing is virtually a commoditized business process that it did not need to



specialize nor invest in. As a rapidly growing firm, it also recognized an outsourced solution would allow it to flexibly serve and respond to its traveling constituents, at the same time creating a centralized data source and compliance mechanism for its expanding indirect costs demands as well.



HNTB Designs Winning Travel Cost Management Program Leveraging Online Trip Booking Tool

Business Challenge

Founded in 1914, HNTB has provided engineering services for most of the major U.S. highways and transportation systems. Not surprisingly, HNTB employees travel frequently to share their design plans and meet with civic and corporate clients, spending more than \$5 million on airfares, mainly domestically, each year.

Since 2000, HNTB adopted several cost reduction strategies, one of which was a managed online booking tool.

“Although we had great compliance to our managed travel program via American Express, the dedicated travel management company, we were finding that more and more travelers were going out [on the web] and researching, and in some cases were booking their trips online,” said Tina Itschner, travel/purchasing manager, corporate travel, for HNTB. “We wanted to bring convenience to the employees while maintaining a managed travel program.”

Solution Selection and Deployment

As a mid-market firm, HNTB felt it needed a simple booking tool that served its basic needs to allow employees to book online and select preferred carriers where appropriate. In late 2001, it started looking for automated booking tools over a six-month period and selected American Express Online, formerly RezPort+, from American Express Company.

In 2002, HNTB kicked off a company-wide deployment of the tool across its offices. As HNTB understood that not every reservation was a good fit for the online environment, HNTB’s initial goal was to move 70% of reservations from the traditional agency booking channel to the online booking tool.

Overview

Company Name

HNTB Companies

Solution Providers

American Express Company

Business Challenge

Reducing and controlling cost more effectively. Employees researching online through consumer websites undermined managed travel program efforts.

Strategy

Deploy online travel booking tool for 70% of travel bookings.

Value Achieved

Increased preferred supplier usage and saw average trip price drop 13%; decreased agency fees 45%; improved visibility into spend for negotiations; enhanced traveler convenience.



Educational sessions were held at company headquarters in Kansas City, MO, as well as across the firm. The deployment team visited more than forty offices and got creative in encouraging employees to use the new solution, including holding drawings for travel prizes. Employee communications and senior management support were key in the successful deployment of the booking tool.

Results

Today HNTB has channeled 88% of all trips online through American Express Online, averaging 85% for 2004. The high adoption rate has been fueled in part by a soft mandate to use the tool from the company's CEO at the end of 2002, but it can also be attributed to the comprehensive training and employee education Itschner led.

HNTB's high adoption rate is also linked to the 24-hour, seven-days-a-week convenience employees now have to book trips. Their online booking completions have made the agency fees drop 45%, and its preferred supplier compliance rates are up considerably as well.

Since deploying American Express Online, HNTB has seen average air ticket price fall each year 13% on average. While the entrance of low-cost carriers in the market had some impact, Itschner also attributes it to "visual guilt," or better spend visibility on the traveler's behalf: Users can see how their decisions impact costs and become more flexible with their options than they may have been on the phone with an agent. Travelers are now choosing lower cost options.

Lessons Learned

The company recently reviewed its decision to use American Express Online and confirmed that the Amex offering was the best fit for its mid-market needs. It has had success working with the American Express travel agent counselors in support of the tool and still leverages them for the 50% of international trips that HNTB employees do not book online.

"We felt that American Express Online fit the needs and requirements of HNTB, and supported our overall cost reduction initiative," said Itschner.

Itschner also emphasizes the need for employee education and change management program.

"People have to understand the cost of travel," she said. "We educate our local offices and get buy-in from the leaders. But the most effective way to gain buy-in is to show them the amount of money we are saving by providing monthly communication surrounding savings to the company."

She noted one particular communication where adoption statistics were reported by division. This information triggered divisional senior executives to take notice and encourage compliance.



The company has maintained compliance by good communication between all departments, travelers, and travel arrangers. For example, accounting departments identify individuals who book outside policy. HNTB has adopted no reimbursement for repeat offenders of the policy.

HNTB also found success while working directly with the American Express travel agent counselors by having them refer employees with applicable reservations to book via the online booking tool.

Future Outlook

HNTB is successful streamlining its agreements with all preferred suppliers in its top destination cities. With American Express Online in place, preferred suppliers and policies are highlighted within the tool. This allows HNTB to ensure preferred suppliers are used while the information on all trips is captured in one place. It has found that half of HNTB's airline travel can fit with its preferred carriers, and more than 80% of hotel spend as well.

Itschner will continue to extensively utilize @Work, the American Express web reporting tool. She noted, "The web reporting tool allows me to monitor usage and compliance on the system. This includes the ability to track traveler activity and create emergency traveler reports, including capturing both online and offline data."

HNTB hopes to further capitalize on these opportunities for volume discount prices by folding in its meetings programs. The travel management department, in conjunction with American Express, plans to provide procurement support to the 60+ HNTB employees who plan events throughout the year to reduce costs as well as risk from poorly defined contracts. HNTB is incorporating registration technology to enhance future experiences for both the attendee and the meeting planner.

Aberdeen Conclusions

HNTB is not alone in its challenge to manage its travel program, especially in the face of online booking sites that seem to promise cheaper fares and more flexible choices to its travelers. HNTB continues to monitor the online booking arena and has found that American Express Online continues to meet and exceed its needs. As a mid-size firm, HNTB wanted to take advantage of its size to gain any volume discount contract opportunities, reduce average ticket cost, and offer solutions that would maintain traveler satisfaction by offering product flexibly. HNTB has found balance with American Express Online and has been able to leverage the solution to optimum success.



Starbucks Brews Big Savings Through Online Travel Booking

Business Challenge

Responding to the demand for its strong coffee and café culture across the globe, Seattle-based Starbucks Company spends more than \$15 million on air travel alone each year. Yet as the company grew to be a \$5+ billion international java king, it faced an interesting challenge: where to put the expanding internal travel agent team serving employees in its Seattle headquarters.

Travel Cost Management Strategy

This simple logistical issue coincided with the firm's re-examination of its travel management strategy in 2003. At the time, the company realized it was approaching \$1 million a year in travel management fees.

Starbucks was anxious to curtail these costs, yet still wanted access to a full service travel agency to maintain high levels of service for its employees, known as "partners" inside the company. As a result, the coffee company decided to move the agency off-site, but supplement its efforts with an online booking tool.

It subsequently eliminated the use of pre-trip approval as well. Compromising service for technology was not an option, and Starbucks realized that integration of these two components was critical in the launch and continued success of its travel program.

Solution Selection and Deployment

Starbucks selected Metropolitan Travel in Seattle in 2001 as its new agency, which was subsequently acquired by Expedia Inc. in 2002. Metropolitan had originally rolled out the Travelport online booking tool at Starbucks, but the company had lagged with just a 2% adoption rate.

Overview

Company Name

Starbucks Coffee Company

Solution Provider

Expedia Corporate Travel

Business Challenge

Employee travel to support business growth driving travel management costs up above \$1 million a year.

Strategy

Drive trip booking through online tool to reduce agency fees and improve preferred carrier compliance.

Value Achieved

Saved \$400,000 in booking fees first year. Average ticket price has dropped 10% to 15%. Improved visibility into travel spend and enhanced preferred supplier compliance.



This caused Starbucks to reconsider its booking tool choice, and it moved to Expedia's booking solution in the fall of 2003. It found that many of its partners were already using Expedia.com to book trips on their own.

Expedia Corporate Travel now allows Starbucks partners to easily see its contracted air, hotel, and rental car services when they are planning travel to book preferred rates. They also enjoy 24-hour-a-day accessibility to book trips.

In addition, Starbucks management has the opportunity to configure online policy and monitor compliance. Improved visibility into travel data, such as volume of business with specific vendors, allows Starbucks to leverage this insight in supplier negotiations.

Results

In the first year of its arrangement with Expedia, Starbucks saved \$400,000 in travel agency trip booking fees. Today Starbucks enjoys 65% adoption of Expedia Corporate Travel for all applicable domestic and outbound international travel – without an executive mandate that partners use the system.

The company has also seen average air ticket prices drop 10% to 15% since deploying the online tool. While it is hard to measure a direct causation of the reduction in ticket prices to online booking, Deb Vasseur, travel and meetings manager for Starbucks, noted Expedia Corporate Travel definitely gives Starbucks partners improved ability to choose less-expensive fares where appropriate and ensure policy compliance.

“The visibility and empowerment [of the online tool] definitely has some motivation to do the right thing,” she said. As stockholders of the corporation, Starbucks partners may be more conscientious with company funds than other companies' employees, she noted. “It's our own money we are spending,” she said.

One of the biggest benefits beyond the fee reductions has been Starbucks' ability to re-capture some of its preferred vendor slippage on hotel bookings, Vasseur noted. In 2002, Vasseur had expected the company's hotel spend to be 25% of air spend using industry benchmarks.

“We were way off that,” she said, noting she has been able to expand Starbucks preferred hotel program by leveraging the information collected through the booking tool, as well as the tool's compliance mechanisms directing employees to book preferred hotels where appropriate. It found nearly 75% of its hotel spend could be served by three major chains and has gone after preferred terms with them.

“It's been a real win,” Vasseur said.



Lessons Learned

Vasseur noted that Starbucks started out with a 30% adoption rate on the booking tool and continues to communicate the advantages of using online booking. And while it was primarily implemented to cut direct agency costs, it has helped in managing the travel program overall since its deployment as a preferred provider compliance mechanism. This can be a real boost to the business case for implementing an online booking tool today.

Future Outlook

Over the next one to two years, Vasseur said she is committed to increasing awareness of Starbucks travel management program and booking tool availability. She noted it has helped the company manage recent fare restructuring and increases, and understand the impact of the changes on their preferred agreements and volume commitments, which will be even more important as the travel industry uptick continues.

Group meeting planning and travel integration is also a priority to Starbucks. This segment of the business is just as visible and manageable as transient travel, Vasseur noted.

Starbucks also plans to investigate expansion of the Expedia Corporate Travel program in Europe and Canada.

Aberdeen Conclusions

Starbucks is an excellent example of how a fast-growing organization leverages the latest technologies to keep up with its expansion. It found that tackling its travel booking process for simple, straightforward reasons – i.e., to respond to increasing fees and lack of space for additional agents – provided the return on investment for the online booking tool implementations. Yet afterward the company has seen benefits in terms of visibility and compliance that continue to deliver rewards.



Top Entertainment Company Digitizes Travel and Expense Reimbursement to Wondrous Effect

Business Challenge

Entertaining families worldwide, this Fortune 500 company spends over a quarter of a billion dollars on travel expenses each year. Its employees journey to support its media development, recreation park, and consumer products businesses around the globe, and they file 300,000+ expense reports annually.

As the company entered the new millennium, its 50,000 travelers were challenged by its manual reimbursement process. It took from three weeks to several months for some individuals to receive payment, and with direct-bill credit cards issued, aged balances and write-offs.

“The cycle time was awful,” said the Company’s manager of worldwide shared services, T&E accounting. “We did not have a lot of happy campers.”

At the time, the company’s reimbursement efforts were hampered by disparate labor-intensive processes and more than 20 different travel policies across its various business units. Most employees entered their own expenses and accounting codes into Excel spreadsheets before printing them out and mailed them to managers for approval.

After approvals were granted, the documents were mailed again to the accounts payable (A/P) group for payment processing. Finally, A/P personnel re-keyed the information in a system for disbursement.

Travel Cost Management Strategy

To improve operations among its 86 business units – and as part of a corporate-wide initiative – the company established a shared service organization to support

Overview

Company Name

Top Entertainment Company

Solution Providers

SAP AG, JP Morgan Chase Visa (Domestic US), American Express (International)

Business Challenge

Disparate manual travel expense reimbursement processes and policies resulted in long payment cycles and poor visibility into travel spend and compliance.

Strategy

Deploy employee self-service automated travel expense reimbursement solution online to support a centralized, standardized program.

Value Achieved

\$10+ million in savings through labor consolidation, policy compliance savings, and corporate card adherence. Employees are now reimbursed within three to four days of submission.



accounts payables, finance, human resources, and payroll across the company in 2001. As a part of this initiative, it deployed an enterprise resource planning solution from SAP AG, which included travel and expense (T&E) accounting capabilities.

Solution Selection and Deployment

Following an assessment of niche players in the expense management automation space, the entertainment company found the SAP Travel and Expense (T&E) module fit its functional needs. Specifically, it wanted an online application with workflow and business rules for collecting spend information and flagging non-compliance, as well as the ability to route reimbursement requests for approval and processing.

The company also chose SAP because it felt it would save on integration costs by not having to tie a stand-alone T&E solution into its other financial and human resource applications. Another plus was the fact that SAP Travel and Expense was included in its SAP employee self-service suite license.

The enterprise SAP roll-out was slated across five waves from June 2002 through April 2004, using a global implementation of mySAP ERP hosted in a shared service center in Celebration, FL. It brought three to four business units up and running on the system each wave, including T&E training.

To facilitate the implementation, the company established one travel policy across the entire company. It also switched to an individual-bill, company-pay policy on its travel cards.

Results

Today upwards of 95% of domestic employees are using SAP to get reimbursed for their travel expenses. International employees use the system as well, the manager noted, with use primarily driven by each country's local accounting and regulatory needs.

His team has calculated that the company saved more than \$10 million in the first year of deployment alone, through productivity enhancements, improved policy and contract compliance, elimination of corporate card rebate write-offs, and labor productivity. Specifically, \$5 million of the savings was in labor productivity recouped through the online streamlined process.

For example, the company now only manually audits expense reports by exception, where the SAP system flags questionable line items by business rule, such as dollar limits exceeded or duplicate expense submission. This has allowed the company to consolidate its audit team down to five from 42, a large chunk of the labor productivity savings.



The company is also benefiting from the detailed information it is able to collect in the system, including Level Three data from its card providers, JP Morgan Chase Visa for domestic travelers and American Express for international travelers. These details help in compliance activities, for example; it can compare if it has already reimbursed an employee for an airline ticket that was subsequently issued a credit on the card by tracking related ticket numbers in the system.

The entertainment company has also leveraged the data in the system in its travel supplier negotiations and relations. It is currently looking at examining its daily hotel rates, for instance, to ensure it is getting the rates employees should be offered from its preferred vendors. Of note, it is looking to use the insight gained from the system to better educate its own employees to be sure they identify themselves as company personnel when checking in, not necessarily blaming the vendors.

Lessons Learned

This company had to work first on its policy internally before deploying any software to streamline efforts. However, it found the application is essential to support its one policy compliance moving forward and maintain its commitment to standardization.

Future Outlook

The entertainment concern is working with SAP to expand its imaging solution to support imaged receipts internationally to further drive down paperwork. Domestically, it currently uses a third-party imaging service firm that sends a daily file to the SAP system, which associates the receipts with each individual report.

The company also plans to continue to leverage the data in SAP for supply base optimization. Worth mentioning, its T&E Accounting and Audit group is working internally with its global travel booking group to track the use of its travel agency codes on booked trips from the expense system to identify employees that rely on other options outside its dedicated agency and booking tool. In this way, further compliance can be driven to ensure employees use the preferred booking methods.

Aberdeen Conclusions

With a popular brand reaching every corner of the globe, this entertainment company embraces travel as a fact of life for many of its employees. Yet the company would not accept that reimbursing its valued personnel had to be a frustrating, manual process, instead imagining a world where information is collected seamlessly and processed quickly. As a result, its valued employees today are happier with the reimbursement cycles, but more importantly, it is able to better leverage its significant buying power and scale worldwide.



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American Express Travel Related Services Company, Inc. operates one of the world's largest travel agency networks, recording \$18 billion in worldwide travel sales in 2004. More information on expense management tools from Corporate Services can be found at <http://www.americanexpress.com/corporateservices>.

The American Express Company is a diversified worldwide travel, financial and network services company founded in 1850. It is a leader in charge and credit cards, Travelers Cheques, travel, financial planning, investment products, insurance and international banking.



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Gelco Expense Management

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Christa Degnan has more than a dozen years of technology industry experience focused on interpreting the business value of enterprise solutions. At Aberdeen her work has included the examination of expenditures and purchase processing requirements of businesses and public sector organizations, analyzing how technology and change management strategies can help organizations optimize their operational dollars, eliminate risk, and increase business flexibility and market responsiveness.

To provide insight into the value to be gained from optimization activities, she conducts extensive research into solution functionality and end-user implementation experiences of indirect supply management technologies. This has enabled her to help enterprises achieve successful deployments and to advise solution providers on how to develop their offerings to best meet enterprise needs.

In 2004, Degnan conducted a series of research reports on category spend management – the discipline requiring enterprises to assess their purchasing category processes, expertise, and strategies for determining the underlying requirements, cost structures, and market dynamics for specific categories. Aberdeen research has shown that companies that do not understand the dynamics of the markets and industries of categories they are purchasing suffer from sub-optimal contracts, costs, and purchasing cycles.

In 2005, she is following this benchmark research with a series of Best Practices reports, featuring dozens of case studies of enterprises successfully reducing costs and improving operations in complex service areas — including telecommunications, travel, and labor.

Quoted in news and feature stories by industry-leading outlets such as The Wall Street Journal, The New York Times, Business Finance, CFO, Forbes, Business Travel News, Internet World, Line56, Purchasing, and Reuters, Degnan frequently participates in industry events, including international educational conferences, solution provider user conventions, and many online seminars.

Degnan's research work is used by professionals at 3M, 7-Eleven, ADP, Ahold USA, AT&T, Bank of America, Bristol-Myers Squibb, CadburySchwepps, Circuit City, ConocoPhillips, Coors Brewers, Dow Chemical, Eastman Chemical, Fidelity, HP, IBM, ING, Intel, Johnson & Johnson, Kelloggs, Merck, Motorola, Nike, Oracle, PhilipsElectronics, R. J. Reynolds Tobacco Company, Ryder System Inc., Schering-Plough, SchlumbergerSema, Sears, Roebuck and Co., Sodexho, Sprint, Sun Microsystems, Toyota, U.S. Bank, Verizon Wireless, Wal-Mart, Wm. Wrigley Jr. Co, Virgin Atlantic Airways Ltd, and Xerox.



Appendix A: Research Methodology

Between May 2005 and August 2005, **AberdeenGroup** conducted a detailed examination of the most mature travel cost management initiatives at more than 30 companies. Subjects were identified from Aberdeen's previous research and benchmarking of travel cost management practices, including a June 2004 Aberdeen benchmark study of travel expense management practices of 147 enterprises, as well as vendor nominations.

Enterprise travel programs and automation deployments were assessed based on the following criteria:

- Percentage of total travel spending being controlled
- Breadth and scope of automation deployment/s
- Hard-dollar reductions in travel costs from overall improvement initiatives
- Process cycle and cost efficiencies gained through automating or outsourcing activities, including sourcing preferred vendors, booking trips, and reconciling employee expenses
- Improvements in compliance, budgeting, risk mitigation, and other business issues impacted by the travel cost management initiative
- Alignment and integration of travel cost initiatives with broader supply management and business strategies.

Aberdeen began with an initial blind screening of nomination forms describing the scope, solution selection, deployment, and performance attributes of travel cost initiatives and implementations. This initial screen was used to identify travel best practice "finalists." Aberdeen analysts conducted in-person and/or telephone assessments of each finalist before selecting the winners.

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Appendix B:

Related Aberdeen Research & Tools

Related Aberdeen research that forms a companion or reference to this report includes:

- *The Category Spend Management Report Series 2004: Contract Labor* (March 2004)
- *The Category Spend Management Report Series 2004: Travel – Beyond Convenience and Safety Making Visibility Pay Off* (June 2004)
- *The Category Spend Management Report Series 2004: Telecommunications – Spend Under Control Key to Cost Savings* (June 2004)
- *The Category Spend Management Report Series 2004: Advertising, Marketing and Printing – Policies Precede Procurement Automation but Technology Ensures Compliance* (September 2004)
- *The Category Spend Management Report Series 2004: Services Procurement Trends and Strategies in Europe – Selling the Savings to Change Corporate Culture* (December 2004)
- *Best Practices in Category Spend Management: Telecom – Success Strategies for Optimizing Telecom Utilization, Performance and Expense* (March 2005)

Information on these and any other Aberdeen publications can be found at www.aberdeen.com.



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